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August 8, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: NSTAR Gas Company, D.T.E. 05-47
Request for Approval of Firm Transportation Agreement

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company (the "Company"), please find attached the Company's responses to the Department of Telecommunications and Energy's (the "Department") Second Set of Information Requests in the above-referenced proceeding set forth on the accompanying page. The Company will file its responses to the remaining information requests asked by the Department as soon as possible on Tuesday, August 9.

Please contact me or Cheryl Kimball if you have any questions regarding the filing. Thank you for your consideration and assistance in this matter.

Very truly yours,

John K. Habib

Enclosures
cc: Carol M. Pieper, Hearing Officer
Andréas Thanos, Assistant Director, Gas Division
Ken Dell Orto, Gas Division
Timothy Cargill, Gas Division
Service List

RESPONSES ATTACHED

DTE-2-2
DTE-2-3
DTE-2-4
DTE-2-5
DTE-2-7
DTE-2-8

Information Request DTE-2-2

In the event the Company does not receive Department approval for the proposed Firm Transportation Agreement by the requested September 15, 2005 deadline, how will the Company address any need for incremental capacity for the 2005-2006 heating season?

Response

The Company is not asking for approval of an arrangement for the 2005/2006 heating season. The Permanent Release Agreement would commence on August 1, 2006, immediately following the termination of a Temporary Release Agreement executed by NSTAR Gas and Dartmouth Power, which covers the period August 1, 2005 through July 31, 2006. The Temporary Release Agreement is not subject to approval by the Department because its term is for a period of 1 year.

The Permanent Release Agreement with Dartmouth Power will allow NSTAR Gas to take advantage of the unique opportunity to acquire the low-cost Dartmouth Power capacity on a long-term basis, consistent with the Company's identified need for resources over the forecast period ending 2009-2010.

Information Request DTE-2-3

Please quantify the impact that the addition of Dartmouth Power's transportation capacity will have upon the Company's existing resource portfolio. By what percentage will the Company's contract entitlements increase on the Algonquin Gas Transmission Company's ("Algonquin") pipeline? By what percentage will overall contract entitlement increase? Please express percentages in terms of both Maximum Daily Quantities and Maximum Annual Quantities.

Response

The addition of Dartmouth Power's capacity will improve the Company's existing resource portfolio by allowing the Company to rely on additional contractual resources to meet its resource needs. The Company's current Algonquin and System citygate entitlements are as follows:[1]

Algonquin Citygate Entitlements	System Citygate Entitlements
Daily = 182,546 Dts	Daily = 261,836 Dts
Annual = 50,710,726 Dts	Annual = 79,651,576 Dts

The Dartmouth Power capacity consists of:

Daily = 14,010 Dts
Annual = 5,113,650 Dts.

Accordingly, with the addition of the Dartmouth capacity:

- Algonquin daily citygate contract entitlements will increase by 7.67%;
- Algonquin annual citygate contract entitlements will increase by 10.08%;
- System daily citygate contract entitlements will increase by 5.35%; and
- System annual citygate contract entitlements will increase by 6.42%.

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1 NSTAR Gas Company, D.T.E. 05-46 (NSTAR Gas Company Load Forecast and Resource Plan, Table VII-1 at 73).

Information Request DTE-2-4

Refer to page 7 of Max Gowen's testimony. Please explain why the disparity between the average number of firm storage deliverability days available on the Algonquin and Tennessee Gas Pipeline Company sides of the system has been allowed to develop. Has the Company taken any measures to reduce this disparity? If yes, what measures has the Company taken? If not, why not?

Response

The Company's current portfolio of storage capacity results from the federal gas unbundling and the related restructuring of the interstate pipelines pursuant to FERC Order 636. The storage contracts on the Tennessee system that the Company acquired had far more capacity than the contracts on the Texas Eastern/Algonquin system. Most of the Texas Eastern SS-1 contracts came with only 60 or 70 days of capacity.

Since that time, the Company has taken every possible opportunity to reduce the disparity by acquiring additional storage capacity. Because these resources are fully subscribed, the Company's opportunities are limited to those instances where another party has relinquished its rights to the resource. The Company has been informed by Texas Eastern that additional capacity is not available on that system. However, the Company did sign a 110-day storage contract on the Algonquin system with National Fuel Gas Supply Corporation in 2003. See NSTAR Gas Company, D.T.E. 03-57. Moreover, the Company has recently been in discussions with another party to obtain access to a 100-day storage contract with firm transportation to the Algonquin system. The extremely limited nature of these resources supports the Company's desire to acquire low-cost, uniquely situated capacity from Dartmouth Power.

Information Request DTE-2-5

Refer to pages 11 and 12 of Max Gowen's testimony. The Company explains that prior to the successful completion of Algonquin's G-system expansion in November 2007, the capacity available under the Dartmouth Power contract would only be available to NSTAR via the New Bedford meter station. Will the Company experience any operational difficulties utilizing the gas delivered to the New Bedford meter station while addressing the system needs in the Plymouth and Pine Hills areas prior to the 2007 expansion?

Response

The acquisition of the Dartmouth Power capacity on the Algonquin G-System, even if only to the New Bedford meter station, is an important first step to improve the Company's access to supply because it will allow gas to flow beyond the bottlenecks on the G-system. Gas has reached the Plymouth and Pine Hills areas on an overrun basis, and did so on January 15, 2004, which was very close to a design day for NSTAR Gas. Accordingly, NSTAR Gas expects that supply to the Plymouth and Pine Hills areas will be available in the near term. However, NSTAR Gas determined that the addition of Dartmouth Power's firm capacity will be instrumental in solving the problem of getting supply to Plymouth and Pine Hills over the long term because of Algonquin's plan to expand the G Lateral, which may allow the Dartmouth capacity to be allocated in part to the Plymouth and Pine Hills meter stations.

Information Request DTE-2-7

Refer to page 15 of Max Gowen's testimony. Why did the Company use an 11,700 MMBtu/day figure in its need analysis for Year 1 under both Option 1 and Option 2? Please explain why the Company did not use the 14,010 MMBtu/day figure included in Years 2 through 5.

Response

As noted in Exhibit MAG-1, p.6, and consistent with the Company's Long-Range Forecast and Resource Plan currently pending before the Department in DTE 05-46, the need for design-year gas resources to meet customer requirements in 2005/2006 is 11,700 MMBtu/day and in years 2 through 5 is greater than 14,010 MMBtu/day. Because the Permanent Release Agreement has a 14,010 MMBtu/day Maximum Daily Quantity ("MDQ"), the first year was modeled to reflect the needed gas resource quantity and the following years were modeled at the MDQ included in the Permanent Release Agreement. It is typical for the Company to acquire resources that it is "growing" into because it is rarely possible to match an identified need precisely with an available resource.

Information Request DTE-2-8

Refer to Exhibit MAG-5. Explain how the Company calculated each of the Nominal and Present Value figures reported in this Exhibit. What discount factor did the Company use to arrive at the Present Values?

Response

The Company used the SENDOUT optimization model to calculate the system cost with and without the modeled option under normal weather conditions. The difference between the system costs of the two runs reflects the increase in cost associated with the addition of the modeled option under normal weather conditions. The Present Value was calculated by discounting the nominal value at NSTAR's weighted average cost of capital of 7.82%